



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Mid-Illinois Bank and Trust, N.A.
Charter #10045
1515 Charleston Avenue
P.O. Box 499
Mattoon, Illinois 61938**

**Office of the Comptroller of the Currency
Devonshire Corporate Centre
2009 Fox Drive, Suite B
Champaign, IL 61820**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Mid-Illinois Bank and Trust, N.A., prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 14, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's lending levels reflect good responsiveness to area credit needs, and a high percentage of loans are made in the institution's assessment area. The bank has a good record of originating loans to small farms and businesses. An effective delivery system ensures retail banking services are accessible to everyone in the area.

The following table indicates the performance level of First Mid-Illinois Bank and Trust, N.A., with respect to the lending, investment, and service tests.

Performance Levels	<u>First Mid-Illinois Bank and Trust, N.A.</u> Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High satisfactory	X		
Low satisfactory		X	
Needs to Improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

First Mid-Illinois Bank and Trust, N.A., is a \$440 million bank with the main office in downtown Mattoon, Illinois. The bank has fourteen branches and sixteen automatic teller machines (ATMs). Six of the branches are in Coles County, three are in Douglas County, two are in both Effingham and Moultrie Counties, and one is in Cumberland County. This institution is owned by First Mid-Illinois Bancshares, Inc., a two-bank holding company. Their affiliate is Heartland Savings Bank. First Mid-Illinois Bank and Trust, N.A., is the largest locally-based financial institution when compared to others in the surrounding area.

The bank offers traditional community bank services with the loan portfolio representing 66% of average assets. The loan portfolio is 39% residential real estate, 35% commercial, 16% agricultural, and 10% consumer loans. There are no financial, legal, or other impediments which would hinder the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes all of Coles, Cumberland, Douglas, Effingham, and Moultrie Counties. Coles County contains 3 upper-, 8 middle-, and 1 moderate- income block numbering areas (BNAs). The moderate- income BNA (# 0004) includes the northeast side of Mattoon and extends out 3/4 of the way to Charleston. According to the 1990 census data, 2,799 people live in this BNA, with 700 owner-occupied homes. There are 1,409 housing units located in BNA #0004. This BNA includes part of downtown Mattoon, the shopping mall area, and hospital area. A few farms are also in the BNA. Cumberland County consists of three middle- income BNAs. Douglas and Moultrie Counties have 5 and 4 middle- income BNAs, respectively. Effingham County consists of 1 upper- and 7 middle- income BNAs. This assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate- income areas. The following demographic information on the bank's assessment area is based on 1990 census data:

Population:	127,412
Housing Stock:	82% of the housing units are 1-4 family.
Occupancy:	67% owner occupied, 27% renter occupied, and 6% vacant
Home Values and Age:	The median home value is \$43,850 and was built in 1960.
Income Levels:	17% of the families are low income, 17% are moderate income, 23% are middle income, while 43% are upper income.

While 34% of the families in the assessment area are low- or moderate-income families, only 4% of these families live in the moderate-income BNA.

The local economy is good. This is a agricultural area, with a broad mix of industrial factories and service jobs located primarily in Mattoon, Charleston, and Effingham. Education institutions are large employers with Eastern Illinois University and Lake Land College located in Coles County.

Competition is strong in the local market with numerous financial institutions located in the five counties. Larger financial institutions, such as Nations Bank, Citizens Bank, and Central Illinois Bank, have a presence in the area.

Eight community contacts were performed with local government officials, realtors, and community leaders over the past year and a half. These contacts were performed by the Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and the Federal Reserve Banks of Chicago and St. Louis. Credit needs include residential real estate, agricultural, small business, and personal loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LENDING TEST

Overall, First Mid-Illinois Bank and Trust, N.A.'s lending activity demonstrates:

- ▶ good responsiveness to credit needs in its assessment areas,
- ▶ a substantial majority of loans are made in its assessment area,
- ▶ adequate geographic distribution of loans inside the assessment area,
- ▶ adequate distribution of loans among borrowers of different income levels,
- ▶ good distribution of loans to businesses and farms of different sizes,
- ▶ reasonable use of flexible and innovative lending practices, and
- ▶ adequate level of community development lending.

The bank's loan-to-deposit ratio is reasonable based on the institution's size and assessment area credit needs. As of 3-31-97, the loan-to-deposit ratio was 76%. Net loans have grown 16% over the last year. Real estate and agricultural loans make up the majority of the loan portfolio growth.

Lending Activity - Conclusions reached for the lending test were based on small business, small farm, and residential mortgage loans made from January 1, 1996 thru June 20, 1997. As the following table shows, the bank has made a substantial majority of loans in its assessment area:

Table 1 Inside the Assessment Area Test				
Type of Loan	Within Assessment Area		Outside Assessment Area	
Residential Real Estate Loans	\$67,206	92%	\$5,782	8%
	1,322	92%	120	8%
Small Business Loans	\$91,419	94%	\$5,533	6%
	1,538	92%	137	8%
Small Farm Loans	\$45,001	84%	\$8,866	16%
	1,077	83%	226	17%
Total	\$204,826	91%	\$20,181	9%
	3,938	89%	483	11%

* The dollar amounts are in thousands.

Source - 1996 and 1997 (as of June 20) Small Farm, Small Business, and Home Mortgage Loan Registers.

Geographic Distribution - The geographic distribution of loans reflects an adequate penetration in the assessment area. The following tables show the distribution of loans in moderate-, middle-, and upper- income BNAs. There are no low-income BNAs in the assessment area.

The number of home mortgage loans made to the moderate- income BNA was 3% of the loans made in the assessment area, while the number of owner-occupied units only make up 2% of the owner-occupied units in the assessment area. It is important to point out that only 2% of the assessment area's population lives in the moderate BNA.

Table 2 Geographic Distribution of Home Mortgage Loans						
Income Level of Geography:	#	\$(000's)	% of Total		Assessment Area Characteristics	
			#	\$(000's)	% of Owner-occupied Units	% of BNAs
Moderate-Income	38	\$1,264	3%	2%	2%	3%
Middle-Income	1,022	\$50,776	77%	76%	84%	84%
Upper-Income	262	\$15,166	20%	23%	14%	13%
Total	1,322	\$67,206	100%	100%	100%	100%

Source - Home Mortgage Loan Register

The geographic distribution of small business loans is adequate. The number of loans made to the moderate- income area is equal to 3% of all small businesses loans. In the assessment area there are 2,119 business establishments with 1- 49 employees. There are 2,233 business establishments in the assessment area. There are also 6,306 self-employed (non-farm) individuals, that could also be considered small businesses. Of the self-employed individuals, 15% are located in upper- income BNAs, 84% in middle- income BNAs, and 1% in moderate- income BNAs.

Table 3 Geographic Distribution of Small Business Loans					
Income Level of Geography:	#	\$(000's)	% of Total		Assessment Area Characteristics
			#	\$(000's)	% of BNAs
Moderate-Income	51	\$3,666	3%	4%	3%
Middle-Income	1,280	\$71,914	83%	79%	84%
Upper-Income	207	\$15,839	14%	17%	13%
Total	1,538	\$91,419	100%	100%	100%

Source - Small Business Loan Registers

The geographic distribution of small farm loans is considered reasonable. With the limited opportunities to make farm loans in the moderate- income BNA, only 1% of the farm loans made by the bank were made in this BNA.

Table 4 Geographic Distribution of Small Farm Loans						
Income Level of Geography:	#	\$(000's)	% of Total		Assessment Area Characteristics	
			#	\$(000's)	% of Farms	% of BNAs
Moderate-Income	12	\$395	1%	1%	1%	3%
Middle-Income	842	\$33,678	78%	75%	91%	84%
Upper-Income	223	\$10,928	21%	24%	8%	13%
Total	1,077	\$45,001	100%	100%	100%	100%

Source - Small Farm Loan Register

Distribution by Borrower Income - The bank has done a reasonable job of lending to borrowers of all income levels. The bank's loan portfolio is made up of 39% residential real estate, 35% commercial, 16% agricultural, and 10% consumer loans.

Of the home mortgages originated, 6% were made to low- income customers and 16% to moderate- income customers. This is reasonable because it is harder for low- and moderate-income families to save up the down deposit and closing costs necessary to obtain home mortgage loans. The bank has shown a willingness to loan to the low- and moderate-income families in the assessment area.

The following table show the home mortgage distribution by borrower income:

Table 5 Home Mortgage Loan Distribution by Borrower Income					
Borrower Income Level	#	\$(000's)	% of Total		Assessment Area Characteristics
			#	\$(000's)	% of families
Low-Income	82	\$1,609	6%	2%	17%
Moderate-Income	206	\$5,984	16%	9%	17%
Middle-Income	293	\$12,006	22%	18%	23%
Upper-Income	617	\$42,021	47%	63%	43%
Income Unknown	124	\$5,586	9%	8%	
Total	1,322	\$67,206	100%	100%	100%

Source - Home Mortgage Loan Register

*Income levels are based off of the 1997 nonmetropolitan median family income for Illinois (\$37,600). Low income is less than 50% of the median, moderate is at least 50% but less than 80% of median, middle is at least 80% but less than 120% of median, and upper income is 120% or more of the median.

Distribution of Business and Agricultural Loans - The following tables show that a good distribution of loans are made to small businesses and farms.

Eighty - six percent of the small business loans made were for loan amounts of less than \$100,000. Also, 76% of the small business loans were made to businesses with annual gross revenues of less than \$1,000,000.

Table 6 Business Loans by Loan Size and Loans to Businesses with Annual Revenues of less than \$1 Million				
Loan Size	#	\$(000's)	% of Total	
			#	\$(000's)
Less than \$100,000	1,321	\$34,386	86%	38%
\$100,000 - \$249,000	152	\$24,938	10%	27%
\$250,000 - \$1,000,000	65	\$32,095	4%	35%
Total	1,538	\$91,419	100%	100%
Total Small Loans to Businesses with Annual Revenues of Less than \$1 Million	1,170	\$41,811	76%	46%

Source - Small Business Loan Register

A substantial majority of all small farm loans were made to farms with annual gross revenues of less than \$1,000,000.

Table 7 Farm Loans by Loan Size and Loans to Farms with Annual Revenues of less than \$1 Million				
Loan Size	#	\$(000's)	% of Total	
			#	\$(000's)
Less than \$100,000	1,000	\$31,120	93%	69%
\$100,000 - \$249,000	68	\$10,880	6%	24%
\$250,000 - \$500,000	9	\$3,001	1%	7%
Total	1,077	\$45,001	100%	100%
Total Small Loans to Farms with Annual Revenues of Less than \$1 Million	1,060	\$44,178	98%	98%

Source - Small Farm Register

Community Development Loans - A community development loan is a loan that meets one of the following criteria, but does not meet the definition of home mortgage, small business or small farm: affordable housing for low- or moderate-income individuals, community services targeted to

low- or moderate-income individuals, activities that promote economic development, or activities that revitalize or stabilize low- or moderate-income geographies. There are limited opportunities to make community development loans within the bank's assessment area.

The bank has an adequate level of community development lending. The bank originated a line of credit of \$10,000 to the Habitat for Humanity. This line is for operating expenses for cost overruns on local housing projects and is provided interest free.

Innovative or Flexible Lending Practices - First Mid-Illinois Bank and Trust, N.A., has used flexible lending practices to help meet credit needs of low- or moderate-income individuals, small farms and small businesses. Loans made under these programs are included in the home mortgage, small business, and small farm loan totals discussed earlier.

Programs the bank participates in include:

- ▶ A new program at the bank is the Illinois Department of Commerce and Community Affairs' "Capital Access Program", which allows small and start-up businesses an opportunity to secure loans for working capital. Many of these businesses fall just outside conventional lending parameters.
- ▶ A couple of programs are in place to assist farmers in securing credit, including Illinois Farm Development Authority loans and the Illinois Agricultural Production loans.
- ▶ Home improvement programs specifically for low-income residents of Mattoon and Charleston were the "Mattoon Housing Rehabilitation Project" and the "Charleston Housing Rehabilitation Project" programs. The cities of Mattoon and Charleston received grant from the state to implement these programs with the assistance of area banks, including First Mid-Illinois Bank and Trust, Inc.
- ▶ First Mid-Illinois Bank and Trust, N.A., takes applications for an affiliate bank so customers can receive mortgage loans requiring minimal down payments through First-Time Home Buyer and Illinois Housing Development Programs. From January 1996 - March 31, 1997, 51 applications that the bank forwarded to the affiliate closed with loans totaling \$3,355,870.

INVESTMENT TEST

First Mid-Illinois Bank and Trust, N.A.'s investment activities demonstrate:

- ▶ adequate level of qualified community development investments and grants, and
- ▶ adequate responsiveness to credit and community economic development needs.

There are limited opportunities in the bank's assessment area to invest in qualified community development investments.

The bank is involved in the Coles County Community Development Corporation and Effingham County Community Development Corporation. Both of these CDCs were developed to help meet the financial needs of small business and economic development. The bank, which is one of the five largest investors in the CDC, has committed to purchasing \$50,000 of the Coles County CDC. There are a total of nine investors in the Coles County CDC. First Mid-Illinois Bank and Trust, N.A., is one of nine banks which are investors in the Effingham County CDC. The bank has committed to purchase \$22,500 of the Effingham County CDC. The total committed amount to the Effingham County CDC by the nine banks is \$250,000. The bank's total outstanding CDC investments are \$25,130.

First Mid-Illinois Bank and Trust, N.A., donated \$3,070 in cash to local community development program. The bank also donated fixtures and items, valued at \$4,000, to the Effingham County chapter of the Habitat for Humanity. These items are being used to aid the organization in providing a safe haven for battered and homeless persons.

SERVICE TEST

First Mid-Illinois Bank and Trust, N.A.'s service activities demonstrate:

- ▶ delivery systems are readily accessible to all portions of the institution's assessment area,
- ▶ an extensive system of alternative delivery systems,
- ▶ the opening and closing of offices have not adversely affected the accessibility of delivery systems in moderate-income geographies,
- ▶ financial services and business hours are tailored to the convenience and needs of the area, and
- ▶ a relatively high level of community development services are provided.

Accessibility of Delivery System - Bank branches are accessible to individuals of all incomes. The following table shows the bank's current distribution of branch locations:

Table 8			
Distribution of Branch Locations			
Geographic Characteristics	Branches		Assessment Area
	#	% of Total	% of BNAs
Moderate-Income	1	7%	3%
Middle-Income	12	86%	84%
Upper-Income	1	7%	13%
Total	14	100%	100%

Source - Bank Records

In the higher traffic branch hours, bank hours have been expanded to meet working individuals needs. Also, installment loan officers are dedicated to the higher consumer traffic locations. These actions specifically benefit the moderate BNA, since the branch located there is one of the highest traffic branch.

Record of Opening and Closing of Branches - In the third quarter of 1995, a branch was opened in a middle-income BNA in Arcola. In the first quarter of 1997, a branch was purchase in a upper-income BNA in Charleston. Then in the second quarter of 1997, a branch located less than 500 feet from the newly purchased facility was closed. These openings and closing did not adversely impact the delivery of services.

Alternative Delivery Systems - The bank offers several alternative delivery systems. One of these systems include automatic teller machines (ATMs). The following table shows a distribution of proprietary ATMs:

Distribution of ATMs			
Geographic Characteristics	ATMs		Assessment Area
	#	% of Total	% of BNAs
Moderate-Income	2	12%	3%
Middle-Income	11	69%	84%
Upper-Income	3	19%	13%
Total	16	100%	100%

Source - Bank Records

Other alternative delivery systems include:

- ▶ In the third quarter of 1996, the bank introduced the Customer Link telephone banking service. This service allows customers to access their accounts directly by phone for a variety of

services, including receiving balance and transaction information; getting rate information on deposit products; conducting funds transfers, loan payments, and stop payments; and request statement reprints. The phone number is toll free.

- ▶ During the first quarter of 1997, the bank introduced a PC Home Banking product. This service allows customers to obtain account information and has report generation, daily statement updates and checkbook balancing. Also for a small fee, customers can electronically pay any bill.
- ▶ In the second quarter of 1997, the bank launched an Internet site. Anyone can access the bank's web site which provides information on financial services and loan programs.

All of these alternative delivery systems are available to all customers, including the low- and moderate-income customers.

Community Development Services - The bank provides a relatively high level of community development services throughout the assessment area.

As the largest bank in the assessment area, the institution has a number of employees with technical knowledge to assist community development services. Several employees are active in organizations whose missions are to assist in economic development or provide housing financial assistance and other financial services to low income individuals. These organizations include the Coles County Habitat for Humanity, Mattoon Development Corporation (MAID), Coles Together, East Central Illinois Development Corporation, Cumberland County Development Corporation, Charleston Community Development Foundation, and Tuscola Community Development Corporation.

One community contact mentioned First Mid-Illinois Bank & Trust, N.A., has taken the leadership role in directing and assisting the economic development group called Coles Together.

First Mid-Illinois Bank and Trust, N.A., is active in educating the community. The bank participated in a First Time Home Buyer's Expo sponsored by a Charleston realtor. Bank officers were available to distribute information and answer questions.

A loan officer made a presentation at the "Building and Enhancing a Successful Business" seminar for small and start-up businesses sponsored by the Mattoon and Charleston Chamber of Commerces. The seminar focused on business plans, marketing a business, customer service, the Internet, and conventional and creative financing.

Various loan officers used their banking expertise and banking related presentations for the Consumer Education classes at local high schools. The bank also purchases educational banking booklets for seven different school districts.

The bank also participates in the Illinois State Treasurer's Bank at School Program. Bank personnel go to schools explain banking services and answer banking questions for 5th and 6th grade students.

First Mid-Illinois Bank and Trust, N.A., offers several products and services to the community, including low- and moderate-income individuals:

- ▶ A free Senior Checking account for customers 62 and older. There is no minimum balance requirements or service charges.
- ▶ Ultimate Checking is an account with no maintenance fee if the balance remains above \$100. If the balance falls below \$100, an \$8 fee is charged.
- ▶ The First Check Account is for customers age 24 or younger that has a minimum opening deposit of only \$25. The first 10 transaction each month are free.
- ▶ The bank also offers a Minor Savings account for customers 18 or younger that has a minimum opening deposit of \$25.
- ▶ First Mid-Illinois Bank and Trust, N.A., cashes government checks for non-customers for a \$5 fee.
- ▶ Basic Business checking account has fees based on the size of transactions. The minimum fee is \$7.50. This account favors small businesses.

FAIR LENDING REVIEW

A comparative file analysis was performed to determine the bank's compliance with Fair Lending laws and regulations. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.